

SUBCOMMITTEE 1

FINAL ACTION REPORT

Senate Budget and Fiscal Review Committee

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SUBCOMMITTEE No. 1

EDUCATION

K-12

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K-12 EDUCATION

6110 CALIFORNIA DEPARTMENT OF EDUCATION

Proposition 98 – K-14 Education:

- Appropriated **\$58.1 billion** in Proposition 98 funding for K-12 education and community colleges in 2009-09, which provides **\$1.5 billion** in ongoing funds above the 2007-08 budget and **\$400 million** above the 2007-08 workload budget. This amount reflects an increase of **\$1.3 billion** in Proposition 98 funding above the Governor’s May Revise Budget.
- Denied the Governor’s Budget Balancing Reductions of more than **\$900 million**, which decreased Proposition 98 funding for nearly all K-14 programs, except K-12 revenue limits and special education.
- Appropriated **\$284.04 million** to provide a partial cost-of-living adjustment (COLA) of 0.68 percent for K-12 revenue limits and Community College apportionments. This includes **\$244.26 million** for K-12 revenue limits and **\$39.78 million** for community college apportionments. A K-12 revenue limit deficit factor is established for foregone COLA according to current law rates (5.66 percent).
- Deferred **\$150 million** in one-time General Fund payments for Proposition 98 “settle-up” in 2008-09.
- Appropriated **\$503.9 million** in one-time Proposition 98 funds for K-14 education, as follows:
 - **\$ 327.8 million** for Child Care and Development programs, including **\$163.1 million** for CalWORKS Stage 2 child care and **\$164.7 million** for CalWORKS Stage 2 and 3 adjustments. *The Governor vetoed \$16.4 million in CalWORKS Stage 2 funding;*
 - **\$101 million** for the Emergency Repair Program in schools in the lowest three deciles of the Academic Performance Index;
 - **\$74.8 million** to backfill property tax losses at community colleges;
 - **\$295,000** for the Fiscal Crisis Management Team (FCMAT) to prepare required annual status reports for schools districts with state emergency loans. *The Governor vetoed funding for these reports.*
- Adopted budget Control Section 35.80 to shift **\$3.0 billion** in Proposition 98 funds for K-12 schools and community colleges payments scheduled in January through March to April or later in order to better manage the state’s cash payments in 2008-09. In addition to this one-year shift, Supplemental Report Language was approved to create a working group to identify ways to improve the Proposition 98 disbursement processes – including K-12 education, child care and community colleges -- on a permanent basis beginning in 2009-10.

Other K-12 Education:

- Continued deferral of annual mandate payments for K-12 education in 2008-09, estimated to cost **\$180 million** annually.
- Captured **\$121 million** in Proposition 98 savings for the following K-12 programs, which reflect workload and other technical adjustments:
 - \$45 million – Special Education
 - \$29 million – High Priority Schools Program
 - \$23 million – K-3 Class Size Reduction
 - \$11 million – Home-to-School Transportation
 - \$8 million – Other Programs
 - \$5 million – 9th Grade Class Size Reduction
- Provided **\$18 million** in ongoing Proposition 98 funding for Charter Schools Facility Grants to offset rental/lease costs for charter schools serving economically disadvantaged students. This program has been funded with one-time funds in the past.
- Eliminated **\$2.5 million** in remaining funds for the Norm Referenced Test (NRT), previously administered to students in grades 3 and 7 as a component of the Standardized Testing and Reporting (STAR) Program, and makes conforming statutory changes.
- Shifted **\$20 million** in federal improvement funds previously available for Title I schools subject to corrective actions as a part of the Intermediate Intervention Underperforming Schools Program (II/USP) to corrective action and technical assistance activities for LEAs under the federal No Child Left Behind Act. *The Governor vetoed \$6 million in state funding for non-Title I schools that are still subject to corrective actions as a part of II/USP.*
- Authorized approximately **\$112.7 million** in federal Title I Set-Aside Funds and School Improvement Grant funds in order to provide one-year, non-renewable federal improvement grants to approximately 150 K-12 local education agencies (LEAs) facing corrective action under the federal No Child Left Behind Act. Establishes a new funding formula for federal improvement grants to LEAs based on the number of Title I schools in corrective action under their jurisdiction. These funds are appropriated in the budget bill and authorized in AB 519 (Chapter 757; Statutes of 2008) – the education budget trailer bill.
- Appropriated **\$334,000** in federal funds for the first year of a three-year, independent evaluation of the federal improvement grant program for LEAs facing corrective action, as set forth by AB 519.
- Included **\$378,000** in ongoing, federal School Improvement Grant funding for four positions to support workload for federal school improvement in accordance with AB 519.
- Provided **\$92.7 million** for the federal Reading First program, which reflects a decrease of \$87.6 million in ongoing federal funds for the program. Provisional language limits funding to

school districts to no more than six years so that participating school districts will be able to finish out the program with existing funding available.

- Approved **\$11.5 million** for development of the California Longitudinal Pupil Achievement Data System (CALPADS) funded through a variety of non-General Fund sources. This amount fully funds CALPADS development, including \$1.1 million in additional funds for California Student Information Services (CSIS) support. An additional **\$3.2 million** is set-aside for CALPADS development in 2009-10.
- Approved **\$7.9 million** in Education Telecommunications Funds for the Fiscal Crisis and Management Assistance Team (FCMAT) to cover the costs of administering the CSIS Best Practices Cohort for school districts that have not previously participated.
- Appropriated **\$1.2 million** in federal Title II funds to fully fund development of the California Longitudinal Teacher Integrated Data Education System (CALTIDES). Of this amount, \$846,000 is provided to the California Department of Education (CDE) and \$398,000 is provided to the Commission on Teacher Credentialing to fund limited-term positions and other costs associated with the development of CALTIDES.
- Authorized **\$1.8 million** in ongoing Title III local assistance funds for intervention and assistance programs -- coordinated with the federal Title I program -- for LEAs that are not meeting their annual measurable achievement objectives for English language learner students. *The Governor vetoed these funds.*
- Approved **\$3.4 million** in federal Title III funds as follows:
 - **\$1.6 million** in one-time funds over three years to contract with a county office of education or higher education institution to provide technical assistance to county court schools and Division of Juvenile Justice schools in order to improve services for English learner students;
 - **\$500,000** in one-time funds to augment a multi-year evaluation of the English Language Learner Acquisition and Development Pilot Program authorized by Chapter 561; Statutes of 2006 (AB 2117);
 - **\$109,000** to make permanent one position for the English learner component of the Math and Reading Professional Development program.
 - **\$1.2 million** in one-time set-aside in the budget for future, unspecified state level activities in 2009-10. *The Governor vetoed these funds.*
- Approved **\$2.5 million** in one-time federal Special Education funds as follows:
 - **\$1.25 million** over three years to contract with a county office of education or higher education institution to provide technical assistance to county court schools to improve services for youth with disabilities;
 - **\$1.25 million** for development and implementation of a standardized, evidence-based alternative assessment to allow eligible students with disabilities to demonstrate competencies necessary to pass the California High School Exit Exam (CAHSEE).

- Adopted **Supplemental Report Language** requiring the California Department of Education (CDE) to provide various annual reports to the Legislature providing basic demographic, resource and student outcome data for county court schools, county community schools, and Department of Juvenile Justice (DJJ) schools in California.
- Appropriated **\$600,000** in one-time federal Migrant Education funds to augment the contract for a three-year, independent evaluation of the Migrant Education program. This evaluation satisfies requirements of the federal Migrant Education program. ***The Governor vetoed these funds.***
- Restored the Governor's Budget Balancing Reductions (BBRs) for several small General Fund (Non-98) K-12 programs. ***The Governor vetoed \$904,000 for Advancement Via Individual Determination (AVID) and \$862,000 for Child Nutrition in order to implement BBRs for these two General Fund (Non-98) programs.***
- Approved an unallocated reduction of **\$5.5 million** (ten percent) in state General Funds (Non-98) for CDE headquarters staff and expenses as a part of the Governor's BBRs. Within 30 days of budget enactment, CDE is required to report to the Legislature and Legislative Analyst's Office regarding the specific position and appropriation adjustments implemented as a result of the unallocated reduction.
- Denied an additional **\$442,000** in General Fund (Non-98) resources for 3.0 new positions and other operating expenses for CDE headquarters staff, but approved \$40,000 and 0.3 position for anti-discrimination monitoring pursuant to Chapter 566; Statutes of 2007 (AB 394).
- Required the California Department of Education to annually submit two reports regarding federal education funds to the Legislature, Legislative Analyst's Office and the Governor. Requires one report, submitted by February 15 of each year, to provide a three-year tracking of federal funds, as specified. Requires a second report, submitted by November 1 of each year that identifies available federal carryover funds.
- Amended budget **Control Section 12.40** to prohibit categorical program transfers out of the child nutrition program.

Child Development

- Fully funded CalWORKs child care programs using Proposition 98.
- Restored Governor's proposed across-the-board reductions to various child care programs.
- Provided minimal funding for enrollment growth.
- Approved Governor's proposal to freeze State Median Income (SMI), the income level under which families are eligible to receive subsidized child care services.
- Adjusted child care provider reimbursement rates, pursuant to the new Regional Market Rate survey, effective March 1, 2009.

- Retained reimbursement rate ceilings at the current levels (85th percentile of the Regional Market Rate).
- Codified the current practice of assessing family fees when a family's income reaches 40 percent of the SMI. *The Governor vetoed this budget bill language.*

Budget Trailer Bills.

1. SB 519 (Committee on Budget and Fiscal Review). Omnibus Education Budget Trailer Bill. Makes numerous statutory changes needed to implement provisions of the 2008-09 budget package, including but not limited to, the following K-12 and Proposition 98 provisions that:

- (a) calculate a deficit factor for school districts and county offices of education to reflect the reduction of statutory cost-of-living adjustments (COLAs) in 2008-09, so that in 2009-10 these factors are restored to revenue limit calculations, as if the full statutory COLA had been applied;
- (b) require the California Department of Education (CDE) to annually submit two reports to the Legislature, Legislative Analyst's Office and the Governor on federal funds;
- (c) suspend existing statute that specifies the division of Proposition 98 funding among K-12 local educational agencies (LEAs), community colleges, and other state agencies, and reflects a division of funding that conforms to that of the 2008-09 budget;
- (d) provide statutory authority for allocating and evaluating federal improvement funds for LEAs facing corrective action under the federal No Child Left Behind Act. The new funding formula is based on the number of Title I schools in corrective action in each of these LEAs.
- (e) continue authorization of the special disability adjustment calculation through 2008-09 intended to compensate K-12 LEAs for higher special education costs for some students with disabilities;
- (f) repeal the Norm Referenced Test (NRT), most recently administered to students in grades 3 and 7, as a component of the Standardized Testing and Reporting (STAR) Program and make conforming changes;
- (g) continue to defer \$388.3 million in various K-12 program payments included in the second principal apportionment by one month – from June 2009 to July 2009 – in order to shift payments from the 2008-09 to the 2009-10 fiscal year. This practice continues budget savings – achieved by shifting these payments to the next fiscal year – that were implemented in recent years;
- (h) extend the authorized expenditure period for June K-12 apportionment deferrals by one month – from June 30, 2009 to July 31, 2009. This action makes the expenditure period for apportionment payment deferrals consistent with the expenditure period for budget act appropriations;
- (i) continue to defer \$200 million of community college payments from the 2008-09 to the 2009-10 fiscal year;
- (j) defer a statutory appropriation of \$150 million in 2008-09 for purposes providing payment of prior year Proposition 98 “settle-up”;

- (k) declare that the budgeted COLA rate of zero percent for various K-12 categorical programs in 2008-09 is in-lieu of the COLA that would be applied pursuant to any other law;
- (l) appropriate \$12.5 million from the Public Interest Research, Development, and Demonstration Fund to expand California Partnership Academies, via the Community College's Career Technical Education Initiative, to focus on educational and career opportunities in clean technology, renewable energy, pollution reduction, and other "green" environmental technologies; and
- (m) appropriate \$39.8 million in augmentation of community college apportionments in the Budget Act to provide a 0.68 percent COLA.

Status: Chapter 757; Statutes of 2008.

2. ***AB 88 (Committee on Budget). Supplemental Budget Bill.*** Amends numerous items to the 2008 Budget Act, including many items that relate to K-12 education programs. These amendments to the Budget Conference Report reflect final budget agreements between the Legislature and the Administration for a number of K-12 budget items, including: elimination of COLA funds for K-12 categorical programs; changes to state operations and local assistance items to reflect restructuring of federal school improvement programs; and other technical adjustments.

Status: Chapter 269; Statutes of 2008.

3. ***AB 1526 (Committee on Budget). Before- and After-School Programs.*** Places an initiative on the statewide ballot to allow budgetary flexibility related to the expenditure of Proposition 98 funding, as it pertains to After School Education and Safety Program (ASES). The measure retains the ASES programmatic structure, including the statutorily established grant amounts, determination of program eligibility, attendance requirements, etc., but makes the following changes, contingent upon approval by the voters:

- (a) repeals the "continuous appropriation" authority thus allowing appropriation decisions to be made annually in the Budget Act;
- (b) removes the statutorily-established minimum appropriation level (\$550,000,000) for the ASES program;
- (c) allows for ASES program statutes to be amended, via the legislative process, by a majority vote of the Legislature; and
- (d) requires the Secretary of State to submit the above-noted changes for approval by the voters at the November 2008 statewide election.

Status: Vetoed by the Governor.

4. ***AB 1654 (Committee on Budget). State Lottery Modernization Trailer Bill.*** Makes a number of changes to modernize the State Lottery, subject to approval of statewide voter.

These changes include the following provisions that affect State Lottery funding for K-12 schools:

(a) Commencing in 2009-10, and each fiscal year thereafter, discontinues approximately \$1.1 billion in lottery funding for K-12 and higher education systems and makes General Fund appropriations instead. General Fund appropriations will be equal to amounts appropriated for K-12 and higher education systems in 2008-09 from the State Lottery Fund, adjusted annually for cost-of-living and student growth adjustments. Cost-of-living adjustments are defined as changes in per capita personal income. General Fund appropriations shall be allocated to K-12 and higher education agencies previously funded directly by the State Lottery Fund, on the basis of student enrollment;

(b) Deems 2009-10 General Fund appropriations for K-12 education and community colleges under the lottery proposal as Proposition 98 funds, but specifies these appropriations are “in addition” to the amounts required by the Proposition 98 minimum funding guarantee and “in addition” to any amounts allocated for maintenance factor in 2009-10;

(c) Rebench the Proposition 98 Test 1 percentage to reflect the additional General Fund appropriations for K-12 education and community colleges pursuant to the Lottery proposal. Establishes a new methodology for rebenching Test 1, in lieu of the methodology in current law.

Status: To enrollment.

5. ***AB 1389 (Committee on Budget). General Government Budget Trailer Bill, Redevelopment Agency (RDA) Pass-Through Provisions.*** This budget trailer bill includes a number of changes that improve the process for and increase the level of local property taxes transfers from RDAs to educational agencies resulting in Proposition 98 General Fund savings, as follows:

(a) approved a Legislative Analyst recommendation to recover \$98 million in General Fund overpayments to school districts that were revealed by a recent State Controller’s audit. The audit revealed that certain Redevelopment Agencies withheld required property tax transfers to schools and that certain schools underreported property tax revenue to the State.

b) adopted a one-year shift of \$350 million from Redevelopment Agencies to educational agencies to produce General Fund savings of the same amount.

Status: Chapter 751; Statutes of 2008.

0558/0650 OFFICE OF THE SECRETARY OF EDUCATION

- Reduced state General Funds (Non-98) for the Office of the Secretary of Education by 10 percent (**\$198,000**) as a part of the Governor's Budget Balancing Reductions.

HIGHER EDUCATION

6120 CALIFORNIA STATE LIBRARY

- Approved five percent across-the-board reductions to various State Library Programs, including the Public Library Foundation; the Civil Liberties Education Program; and the Interlibrary Loan Program, among others. Governor vetoed an additional \$1.7 million from the above-noted programs, bringing the total reduction to ten percent.

6420 CALIFORNIA POSTSECONDARY EDUCATION COMMISSION (CPEC)

- Adopted Governor's proposed ten percent reduction to CPEC state operations and approved provisional language specifying priority for certain key functions to be conducted in light of CPEC's limited resources.

6440 UNIVERSITY OF CALIFORNIA

- Partially restored General Fund (\$98.6 million), sufficient to hold funding at the levels provided in the current year.
- Adopted alternative Budget Bill language to:
 - Reinstate academic preparation and research "earmarks" to ensure funding for legislative priorities. Governor voted all funding (\$5.4 million) set-aside by the Legislature for research related to labor and employment.
 - Redirect \$15 million from compensation for administrators to pay for increased compensation for low-wage workers. Governor vetoed this redirection.
- Approved \$204.6 million in Lease-Revenue Bond funding for six high-priority capital outlay projects.

6610 CALIFORNIA STATE UNIVERSITY

- Partially restored General Fund (\$97.6 million), sufficient to hold funding at the levels provided in the current year.
- Adopted alternative Budget Bill language to reinstate academic preparation and student financial aid "earmarks" to ensure funding for legislative priorities.
- Approved \$223.8 million in Lease-Revenue Bond funding for five high-priority capital outlay projects.

6600 HASTINGS COLLEGE OF THE LAW

- Partially restored General Fund (\$516,000) sufficient to hold funding at the levels provided in the current year.

6870 CALIFORNIA COMMUNITY COLLEGES (CCC)

- Restored Governor's proposed across-the-board reductions.
- Provided approximately \$113.5 million to fund two percent enrollment growth.
- Reinstated a partial (0.68 percent) Cost-of-Living Adjustment (COLA) for Apportionments (\$39.8 million)
- Appropriated \$12.5 million in special fund dollars (via the Education Trailer Bill) to expand California Partnership Academies, via the CCC's Career Technical Education Initiative, to focus on educational and career opportunities in "Green" Technologies.
- Backfilled a 2007-08 property tax shortfall by providing approximately \$75 million in General Fund resources.

7980 CALIFORNIA STUDENT AID COMMISSION

- Denied Governor's proposal to phase-out the Competitive Cal Grant program and augmented by approximately \$57 million for this purpose.
- Extended date by which the Administration has the authority to sell EdFUND; continued to assume the proceeds of a sale in 2009-10 of \$500 million.
- Authorized 8,000 Assumption Program of Loan for Education (APLE) warrants, holding constant the number of warrants authorized for 2008-09. Governor vetoed the number of authorized warrants by 10 percent or 800, leaving 7,200 warrants to be awarded in the 2008-09 academic year.
- Funded the California Student Opportunity and Access Program (Cal-SOAP) with federal funds totaling \$7.4 million, rather than General Fund. Of this amount, \$1 million is set aside for financial aid outreach related to career-technical education.